

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2690 - SB 2855**

March 5, 2012

**SUMMARY OF BILL:** Requires the assessor of property to establish parcel identification numbers for all lots created when a real property owner subdivides property after January 1 of a given year. The assessor is required to prorate the assessment for the year for the parent parcel from January 1 to the date of the subdivision, and the resulting parcels from the date of the subdivision to year-end. Any supplemental tax resulting from added value will be assigned to the parcel.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$300,000/One-Time**

**Increase Local Revenue - \$100,000/Recurring**

**Increase Local Expenditures – Exceeds \$100,000/One-Time\***

**Exceeds \$300,000/Recurring\***

**Assumptions:**

- Currently, property that is subdivided after the assessment date is subdivided and valued for the following tax year as of January 1.
- It is assumed this legislation will recognize the result of property being continually subdivided, resulting in assessors valuing property and sending notices throughout the tax year, with an increased number of divisions in more urban areas.
- The increased number of subdivisions, property evaluations, notices, and proration will necessitate the hiring of extra staff to accommodate the extra work load, specifically in more urbanized counties such as Davidson, Knox, Shelby, Hamilton, Montgomery, Williamson, and Rutherford.
- Assessors statewide use a Computer Assisted Mass Appraisal (CAMA) system to value property, maintain data and values for every parcel in the county, as well as integrate with the mapping systems and tax billing systems.
- Currently there are eight different CAMA systems statewide. All of these computer systems will require updating to accommodate the addition of new assessments and tax notices that will need to be sent.
- According to the Comptroller, all of these system changes could not be implemented in time to handle the provisions set in this legislation.
- It is assumed the increased number of newly split parcels of property may increase property tax revenue; however, it is unknown how many divisions will occur in each

county and how many large tracts of land are available for parcel splitting. Due to these unknown factors, a precise estimate for increased property tax revenue to local governments cannot be determined. However, it is reasonably estimated that such local revenue will increase by approximately \$100,000 per year statewide.

- Given the unknown factors concerning the extent of additional local positions that will be required to implement the provisions of this bill, the recurring increase in local expenditures is reasonably estimated to exceed \$300,000 per year. One-time local expenditures for computer system modifications are reasonably estimated to exceed \$100,000.
- Based on information provided by the Comptroller of the Treasury, one-time state expenditures for statewide computer system modifications are reasonably estimated to exceed \$300,000.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jrh